

**National Rifle Association of America**  
**Long-Term Reserves Oversight and Investment Policy**  
(supersedes all prior policies)  
January 11, 2020

---

**I. Purpose**

The long-term reserves investment policy of the NRA assists the Board and management in carrying out their fiduciary responsibilities for the conservation and use of all invested assets. This investment policy is designed to:

1. Protect the purposes of the NRA.
2. Establish communication and oversight responsibilities.
3. Prevent conflicts of interest.
4. Document investment strategies and investment guidelines.
5. Provide criteria for the selection and performance of portfolio managers, investment managers and consultants or other advisors retained or engaged by the NRA.

This investment policy has been formulated based upon consideration by the Board of the financial implications of a wide range of policies, and describes the prudent investment process that the Board and the Investment Oversight Subcommittee deem appropriate.

**II. Oversight Responsibilities**

The NRA Board of Directors has established an Investment Oversight Subcommittee of the Finance Committee comprised of five board members.

1. The Investment Oversight Subcommittee is responsible for performing no less than an annual review of the investment policy.
2. The Treasurer, with guidance and recommendations of the Investment Oversight Committee, is responsible for hiring an Investment Consultant to assist in the design, implementation and evaluation of NRA's investment strategy.
3. The Treasurer, with guidance and recommendations of the Investment Consultant, is responsible for the implementation and monitoring of an asset allocation strategy.
4. The Treasurer, with the guidance and recommendations of the Investment Consultant, is responsible for the selection and continued monitoring of Investment Managers.
5. The Treasurer, with guidance and recommendations of the Investment Consultant, reviews the asset mix on an ongoing basis and makes revisions as necessary, including portfolio rebalancing to maintain the integrity of the asset allocation strategy.

6. The Investment Oversight Subcommittee meets no less than three times a year and receives quarterly reports. At such meetings, it reviews the results of the investment portfolios and the Long-Term Reserves Oversight and Investment Policy Statement.
7. The Investment Oversight Subcommittee provides regular performance reports to the NRA's Finance Committee.
8. The Treasurer and Investment Oversight Subcommittee shall adhere to the guidelines as defined in UPMIFA and all other regulations.

**Responsibility Table:**

Fiduciary Level	Written Investment Policy	Written Investment Strategy	Tactical Allocation Among Asset Classes	Strategy Within An Asset Class	Manager & Fund Selections	Security Selection
<b>Board of Directors</b>	Approve	Informed	Informed	Informed	Informed	N/A
<b>Finance Committee</b>	Recommend	Informed	Informed	Informed	Informed	N/A
<b>Investment Oversight Subcommittee</b>	Recommend	Approve	Approve	Approve	Approve	Approve
<b>Treasurer</b>	Recommend	Recommend	Recommend	Recommend	Recommend	Recommend
<b>Investment Consultant &amp; Staff</b>	Recommend	Recommend	Recommend	Recommend	Recommend	N/A
<b>Individual Managers</b>	N/A	N/A	N/A	Recommend	N/A	Approve

**III. Conflict of Interests**

Conflicts of interests in fund management and selection of investment consultants, portfolio managers, investment managers and funds are to be avoided at all times. Members of the NRA Board of Directors shall not have a pecuniary relationship with any manager or fund being considered. No advisor or entity retained by the NRA Board of Directors shall be a party to any transaction with, or have a financial or other interest in, any investment manager providing services

to the NRA Board of Directors.

#### **IV. Accumulation and Withdrawal Policy**

1. General Reserve Fund - (all long-term reserve investments not specified for endowment by donors)
  - a. To reserve and protect funds for financial stability, all earnings shall normally be retained in the Fund.
  - b. The Finance Committee and the Treasurer shall annually review the results of operations, cash from estates, and future cash requirements for the purpose of recommending additions to the Fund.
  - c. A budget may be adopted that includes withdrawals from the Fund upon recommendation of the Finance Committee and approval of the Board.
  - d. Non-budgeted withdrawals from the Fund may be approved when needed by a two-thirds majority of the Finance Committee, not to exceed 10% of the Fund balance annually.
  - e. When amounts from the Fund have been withdrawn pursuant to c. and/or d., their orderly replacement shall be a priority of the budget process.
2. Endowment Funds (based on donor endowment agreements)
  - a. The annual spending budget for the NRA endowments will be determined each year at the rate of up to 5% of the fair market value of the endowment assets as of December 31<sup>st</sup> of the previous year, without invasion of original principal, except as otherwise specified in endowment agreements.

#### **V. Investment Objectives**

The investment objectives of the NRA are:

1. To achieve, at a minimum, a real (inflation adjusted) total return, net of investment management fees, that exceeds spending policy requirements.
2. To control costs of administering and managing the NRA investments.
3. To ensure that the investment portfolios are managed responsively and in compliance with stated guidelines, donor guidelines (where applicable), and the investment guidelines set forth herein. In doing so, the Treasurer will comply with all applicable laws, rules, and regulations.
4. To emphasize the long-term nature of the NRA's investment program by framing guidelines

within the Investment Policy Statement that reflects the NRA's long-term goals.

5. To manage expectations by recognizing the challenge of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets. Therefore, it is acknowledged that some degree of risk must be assumed to achieve the long-term investment objectives. In establishing the risk parameters of the strategic allocation strategy, the willingness to tolerate short and intermediate term market fluctuations shall be considered.

## **VI. Investment Directives**

1. *Return Requirements Based on Capital Market Assumptions:* Investment directives will be based on the premise that any solid investment approach builds upon solid Capital Markets Assumptions. Capital Markets Assumptions outline risk/return expectations for all utilized asset classes. Asset allocation is considered the most important investment decision that can be made. Investment research has determined that a significant portion of the total investment return can be attributed to (1) the asset classes/styles which are employed by the NRA, and (2) the weighting of each asset class/style. Capital market risk and return assumptions directly impact any asset allocation recommendations and are central to the ability to identify the optimal risk-return relationship for a portfolio.
2. *Risk Tolerance:* Risk is considered a resource used to generate investment returns. Risk is measured and monitored at the asset class level and the portfolio level. Total investment risk (the volatility of total return) measures the risk of effective implementation of strategy. Active risk or tracking error, the deviation from style or benchmark, measures the risk of unintended exposures or inadequate diversification. The NRA investments are diversified among asset classes and securities in an attempt to maximize risk-adjusted returns over the long term, while also minimizing the risk of large losses.
3. *Asset Allocation:* The strategic (long-term) asset allocation strategy of the NRA is to maximize total return within acceptable risk parameters. An asset allocation strategy should include strategic (long-term) target levels, as well as allocation ranges to allow for tactical (short-term) adjustments. The strategic target levels, allocation ranges, and current tactical position should be determined by the Treasurer with guidance and recommendations by the Investment Consultant.
4. *Non-Permissible Investments:* Consistent with the Investment Objectives, assets may not be invested in any of the following:
  - Restricted stock
  - Securities of the asset manager or their parent

Assets may not be invested in any of the following without prior approval by the

Investment Oversight Subcommittee after consideration of potential Unrelated Business Income Tax (UBIT) in accordance with the appendix:

- Margins purchases, lending or borrowing of funds

5. *Legal Requirements:* The Investment Consultant and all parties will apply the principles of the Prudent Investor Standard as outlined in the latest revision of the Uniform Prudent Management of Institutional Fund's Act (UPMIFA).

## **VII. Performance Monitoring Guidelines**

The following criteria should provide for maintenance of investment vehicles that perform in the second quartile and above in relation to their respective asset classes. This performance will be measured against the composite benchmark (Total Portfolio Performance Benchmark), which may be adjusted by a majority of the Investment Oversight Subcommittee from time to time as considered prudent (see Appendix).

The ongoing review and analysis of investment managers is considered equally as important as the due diligence implemented during the manager selection process. Accordingly, a thorough review and analysis of an investment manager will be conducted if a manager's actual and/or composite results:

1. Perform in the bottom quartile (75th percentile) or lower of their peer group over a trailing four-quarter period.
2. Fall in the southeast quadrant (below average performance with above average volatility) of the risk/return scatter-plot for their peer group over the trailing 3-year time period.
3. Perform below the median (50th percentile) of their peer group over the trailing three-year period.
4. Major organizational changes also warrant immediate review of the manager, including:
  - Change in professionals
  - Change in investment strategy/style
  - Significant increase/decrease in number of accounts
  - Significant growth/loss of assets under management
  - Change in ownership

The performance of the NRA investment managers will be monitored on an ongoing basis and it is at the discretion of the Treasurer (with recommendations by the Investment Consultant) to take corrective action by replacing a manager if deemed appropriate at any time.

### **VIII. Investment Management**

The Treasurer, with the assistance of the Investment Consultant, will select appropriate investment managers to manage the NRA assets. Managers must meet the following minimum criteria:

1. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
2. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
3. For separately managed accounts, the manager will provide the Investment Consultant with a copy of the firm's Form ADV Part II; a current prospectus should be provided for mutual fund investments.
4. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
5. As disclosed in the firm's Form ADV Part II, selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.

### **IX. Investment Guidelines**

- A. **Equities.** In accordance with the appendix.
- B. **Fixed Income.** In accordance with the appendix.
- C. **Alternative Investments.** In accordance with the appendix.

## APPENDIX

This appendix to the Investment Policy of the NRA defines guidelines for the execution of investment decisions. Assets must be managed with the care, skill, prudence and diligence that a prudent investment professional in similar circumstances would exercise. Investment practices must comply with the applicable laws and regulations governing nonprofit organizations.

The portfolio is diversified both by asset class and within asset classes. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

The Investment Policy is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical in a changing market environment.

<b>Asset Class</b>	<b>Range</b>	<b>Benchmark</b>
Equities	25-90%	
Large Cap Equities	10-70%	S&P 500
Mid Cap Equities	0-30%	S&P MidCap 400
Small Cap Equities	0-25%	Russell 2000
International Developed	0-35%	MSCI EAFE
International Emerging	0-10%	MSCI Emerging
Fixed Income	10-75%	
Domestic Core	0-75%	Barclay's Capital Aggregate
High-Yield	0-15%	Merrill Lynch High Yield BB/B
International	0-15%	J.P.Morgan Global Traded Bond
Cash & Equivalents	0-25%	Citi 3-Month T-Bill
Alternative Investments	0-30%	Various

Alternative investments can enhance diversification and reduce risk by providing low correlation with public stock and bond markets, lower portfolio volatility and preservation of capital in less favorable public market conditions. The Treasurer takes into consideration potential Unrelated Business Income Tax (UBIT).

Total Portfolio Performance Benchmark:     60% MSCI ACWI (All Country World Index)  
   20% HFRI (Hedge Fund Research Index)  
   20% BC Aggregate (Fixed Income Index)